Forget BCE: Telus (TSX:T) Is the Best Dividend Stud for Your Money

Description

Telus (TSX:T)(NYSE:TU) and **BCE** (TSX:BCE)(NYSE:BCE) are two of the top Canadian telecom dividend studs that investors seem split over. The former has done a magnificent job of navigating the rough waters of 2020, and its growth profile looks far better. Still, the latter telecom stock has a richer dividend yield. But should that be the deciding factor for Canadian investors?

At the time of writing, Telus sports a solid 4.8% yield, while BCE commands a juicy 6.1% yield. While most income investors would immediately reach for those beaten-down BCE shares, I think that most investors seeking above-average total returns (that account for capital appreciation and dividends) would be best off in Telus stock at these levels.

A tale of two top dividend studs

BCE stock is in the gutter right now, with shares still off 10.5% from their pre-pandemic all-time highs. Meanwhile, Telus stock has been firing on all cylinders, heavily outperforming its peers in the Big Three telecom space over through this horrific pandemic. Shares of Telus flirted with all-time highs of $27 and change earlier this year before pulling back modestly to $25 and change, where the stock currently sits today.

Now off just over 6% from its 52-week high, Telus stock seems a tad more expensive than its bigger brother BCE. But I don't think that's the case. Despite Telus stock's outperformance, I think its shares are actually pretty undervalued relative to what you're getting from the name. As for BCE, many analysts think that the big dip is completely warranted, given the behemoth is lacking on the growth front, and its media business has been a major drag in recent years. Not to mention BCE has had a tougher time amid the pandemic compared to Telus, which managed to pull ahead of its competition amid its aggressive wireless and wireline buildout.

Telus offers a lot more in the way of long-term growth

Telus is investing heavily, and I think it has a competitive edge that warrants a premium multiple over its peers in the space. By opting for Telus stock over BCE, you're giving up just over 1% in yield. But in return, you're getting so much more on the growth front and in terms of resilience. Telus lacks a media segment and can focus its efforts on crushing the competition in its markets of interest as the new generation of telecom tech continues to roll out.

In any case, both BCE and Telus are members of the Big Three triopoly that should benefit over the long term from the elimination of the fourth major wireless carrier in **Shaw Communications** following its takeover by number three telecom rival **Rogers Communications**. The Shaw-Rogers deal was a big win for all telecoms and their future profitability prospects, but it's bad news for everyday Canadians who will probably have to pay a pretty penny for their mobile data over the next decade.

Foolish takeaway

Telus looks to be a far better bet than BCE ahead of the Roaring 20s. What the name lacks in yield versus BCE is made up in growth. Analysts seem to agree, with a consensus price target of $31.45 (over 23% in upside) versus BCE, which has a target of just $59.68 (just over 3% in upside).

If you're looking for the best bang for your buck in the Canadian telecom scene. I think Telus is the best dividend stud for your money right now.

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